

Braley and Grassley Double Team Tax Credit Extension

By: Lynda Waddington, Iowa Independent

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Two of Iowa's federal lawmakers, working on opposite sides of the aisle and in different houses of Congress, are taking steps to help ensure stability in the federal tax policy affecting wind energy.

Sen. Chuck Grassley, an Iowa Republican, authored the Wind Energy Incentives Act of 1993, which established the first wind energy production tax credit. Although the production tax credit has come under scrutiny by Congress, especially in recent years, the program has been reauthorized -- mostly in one or two year increments. It is currently funded through Dec. 31 and provides a 2 cent-per-kilowatt-hour (kWh) credit.

On Wednesday, a Senate vote on an amendment to the economic stimulus bill (HR 5140) that would have extended the production tax credit for an additional year fell one vote short of the 60 votes required to overcome a filibuster. Both Grassley and Sen. Tom Harkin, D-IA, voted in favor of the extension. Before the final count was taken, Sen.

Harry Reid, a Nevada Democrat, switched his vote from yea to nay in order to maintain the option of reintroducing the proposed legislation.

Congressman Bruce Braley, a Democrat representing Iowa's 1st District, is hoping his newly introduced bill will once again provide longterm stability for those considering an investment in wind as an alternative energy source.

"One of the things this bill will do is to provide a more predictable market for producers and investors who know that there's going to be a longer term tax credit," Braley said during a conference call on Thursday.

Braley's Clean Energy Investment Act of 2008 would extend the production tax credit for seven years, providing wind energy producers with the incentive to expand their operations.

"Iowa has the potential to be the wind energy capital of the Midwest," he said. "Wind energy is good for the economy, good for the environment and good for farmers. That's why we need to do more to encourage the development of Iowa's wind energy industry."

On Friday, after reading the press release on the proposed legislation, Grassley wrote a letter of appreciation and caution to Braley.

"I'm sending this letter today because of news reports this morning indicating that House leaders may schedule action -- both in committee and on the floor -- next week on an energy tax package," Grassley wrote. "I'd rather sit down and talk with you about these issues, but there's so little time that I wanted to get word to you and others in the Iowa delegation right away about what's at stake with this legislative debate for wind energy in particular."

Grassley, who also expressed his doubts that the production tax credit could be extended for more than a couple years due to "House rules requiring paygo," explained how he was able to diffuse an attempt last year to cap the wind energy credit and his concern that such a cap might be proposed again.

"I want to do everything possible to make sure another effort to cap this credit is stopped," he continued. "Although I believe our Senate action was heard loud and clear over in the House and another attempt to limit the wind energy production credit is unlikely, I urge you to make your views known direction to Ways and Means Committee Chairman [Chuck] Rangel. ... Wind energy tax policy has been one of my most successful initiatives, and I look forward to your continued support for proven tax policies that help to develop wind and other home-grown sources of alternative energy."

Iowa's wind energy production currently ranks fourth in the nation.

According to the American Wind Energy Association, however, Iowa could produce over 62,000 megawatts of wind-generated electricity. Currently the state is producing 1,273 megawatts -- or roughly enough to power 315,000 homes. Braley's bill does not call for an increase of the 2-cent credit, and, in a press release, Braley explained that since a wind farm produces electricity at about 7.6 cents per kWh, the existing credit "helps make wind competitive with convention production" such as coal plants, which produce at about 5.4 cents per kWh.